
California Department of Water Resources



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DWR Files Lawsuit Against Allegheny Energy Supply Company

Sacramento - The California Department of Water Resources (DWR) filed a lawsuit yesterday against Allegheny Energy Supply Company L.L.C. alleging the company's declining financial condition and its purported attempt to assign its long-term energy contract with DWR to a newly-formed subsidiary are in violation of the contract's provisions.

The lawsuit, filed in Sacramento Superior Court, contends that Allegheny breached its contract as a result of its declining financial condition. The contract provides that insolvency or failure to meet obligations as they come due is an event of default leading to automatic termination.

In addition, the lawsuit alleges that Allegheny's purported assignment of the contract to its newly created affiliate, Allegheny Trading Finance Company, was done in a manner that was not permitted by the contract.

By filing the lawsuit, DWR has requested a judicial determination that the agreement was automatically terminated by Allegheny's financial condition or, alternatively, that the assignment was a material breach sufficient to terminate the agreement. DWR intends to continue performing its obligations under the contract until the court issues its judgment.

The Allegheny contract, estimated to cost \$4.4 billion over 10 years, was signed on March 23, 2001.

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